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Paris Talks Seen As Phase In Long Struggle

MINNEAPOLIS—In assessing prospects for the success of the Big Four Paris conference, it will be more prudent to assume that the Politbureau is still pursuing the goal of world revolution, its underlying aim for so many years. We should assume that the Russian leadership still seeks security for the Soviet fatherland and the Soviet revolution through undermining of the capitalistic and socialistic democracies and their ultimate sovietization.

It must be doubted that the Politbureau will jeopardize the fulcrum with which it expects to sovietize the rest of the world by involving Russia in a shooting war at this stage of developments. Since the democracies are equally averse to war, armed hostilities appear to be neither imminent nor inevitable. But neither is a permanent accommodation between the Soviet system and the democracies in the offing. While we should be ready at all times to reach permanent agreements with Russia, we must be equally ready to defend free institutions for as many years and in as many ways as they may be under assault from their avowed enemies.

Thus the Paris conference should be regarded as a major engagement in a struggle likely to drag on for years rather than as Armageddon. We should examine each position from the standpoint of its effect upon our ability to help Western Europe remain free and to survive economic, political, social or other stresses during the critical years ahead. Survival in freedom with security and justice is our paramount consideration at Paris, as at all other times. Agreements which contribute to that end are to be sought. Those

jeopardizing that end must be avoided, however great the temptation to show some "results."

Western Gains

We take part in the Paris conference in better condition to negotiate along those

In view of the historic significance of the Big Four conference on Germany which opened in Paris on May 23, the Foreign Policy Association has invited four outstanding journalists and commentators who are active in the FPA in different parts of the country to express their opinions on these negotiations.

lines than we have at any recent conference of Foreign Ministers. At Washington in April and in Germany in May, the United States, Britain and France have reached agreements on fundamental aims and methods for dealing with Germany which permit far closer co-operation than previously obtained.

Progress is being made in the establishment of a federal republic in Western Germany. The referendum in the Russian zone which Russia expected would strengthen its hand at Paris showed overwhelming hostility to Soviet representatives and tactics. Russia has won few dependable friends among the Germans, east or west.

Meanwhile, the ERP has given great stimulus to European recovery. The Communists have not been able to sabotage or

discredit it. The Berlin blockade and the forms of resistance imposed on Eastern European states have hurt the Soviet bloc more than they have hurt Western Europe and the United States. To go ahead effectively with collectivization of Eastern European agriculture and development of industry in the satellite states, the Soviet bloc must have machinery and other assistance obtainable only from the West.

Our refusal to be strong-armed out of Berlin, the airlift, ERP, the North Atlantic pact and proposed military assistance to Western Europe have dispelled much of the anxiety formerly prevalent in Western Europe. Our position at Paris should continue to be one which inspires the people of Western Europe, including Germany, to greater confidence in their ability to remain free and secure and in our determination to deter aggression at all times and all places.

What U.S. Should Refuse

Thus we should reject proposals materially to reduce or withdraw altogether American and other Western troops from Germany before a peace treaty has been signed and become operative. Withdrawal of American troops before that time would help the Communists convince uneasy Western Europeans that the United States could not be counted upon to help resist Russian invasion and that resistance would be folly. It would not make the Germans more co-operative with the democracies and might make them more submissive to the Russians.

We should not permit the Russians to

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sabotage the federal republic about to come into being. If Eastern Germany's 20 millions are to be reunited with Western Germany's 45 millions let it be on the basis of the Bonn constitution freely accepted by the former. It would be folly to permit the economic and political institutions of Eastern Germany to supplant the free elections, free speech, and so on of Western Germany in the name of unification.

If Russia offers concessions which seem to warrant giving it a voice in the Ruhr authority, that voice should be limited to a vote, not a veto. If majority decisions

do not continue to determine Ruhr policy, the recovery of Western Europe will be impeded and relations between East and West will deteriorate rather than improve. Already there is trouble in Berlin over the implementation of the Jessup-Malik agreements. How much worse things would be if Russia obtained a veto over the operation of the Ruhr and distribution of its products.

One of the chief problems at Paris probably will be to prevent Russia from persuading well-disposed but uninformed Westerners that such positions are unreasonable, war-mongering and wasteful

of the taxpayer's money. Secretary Acheson probably will be more adept at blocking such Russian tactics and making clear the case of the democracies than were Secretaries Marshall and Byrnes. He also is, in his own words, "now in a better position to deal with the consequences of a failure."

CARROLL BINDER

(Carroll Binder, editor of editorial pages in the *Minneapolis Tribune* since 1945, was on the foreign correspondents staff of the *Chicago Daily News* for twenty years. Recently he was appointed U.S. representative, UN Sub-Commission on Freedom of Information. He is also a board member of the Minneapolis FPA Branch, and represents all the North Central Branches on the FPA's national Board of Directors.)

U.S. Reshapes Policy In Asia

WASHINGTON—The occupation of Shanghai by the Chinese Communists has intensified the interest of the Truman administration in formulating a clear and positive Far Eastern policy. The current Paris meeting of the Council of Foreign Ministers on German affairs may therefore lead eventually to an American decision about Asia.

Since he assumed office in January, Secretary of State Dean Acheson has accepted the assumption of his predecessor, George C. Marshall, that the diplomatic conflict between the United States and the Soviet Union can be settled only in Europe. The corollary of this opinion is that concentration on Asian affairs might weaken us in the European struggle. Mr. Acheson will have time to consider fully the nature of American needs in the Far East if the Paris meeting results in agreement between Moscow and Washington about their most serious European differences. Even if that conference ends in deadlock, the Administration may decide that, in view of the advance of Communist influence in China, further postponement of policy decisions on Asia will jeopardize the advantages we have gained in Europe. The elevation on May 26 of W. Walton Butterworth, State Department Director of Far Eastern Affairs, to the new post of Assistant Secretary of State for Far Eastern Affairs, strengthens the influence in the Administration of those favoring policy decisions in the near future.

Country by Country Policy

Whereas President Truman's Secretaries of State have attempted to devise an integrated continental policy for Europe, the present tendency is to form separate policies for each of the many nations that

make up the southern and eastern portions of Asia and the adjacent archipelagoes. The paramount Far Eastern concern of the Administration is to encourage settlement of the internal conflicts that disturb China, Korea, Indo-China and Indonesia, on the ground that national unity must precede continental co-operation. Current interest in halting civil wars sometimes overrides ideological considerations. In Japan and southern Asia the United States encourages anti-Communist forces, but in Korea and China it views growing influence of the Communists without undue alarm. Washington intends to withdraw American troops from South Korea soon, despite the strength of Communist-governed North Korea, the opinion of the United Nations Korean Commission that the presence of American troops is vital to realization of hopes for unification of the country, and the assertion on May 20 by Shin Ik Hi, chairman of the South Korean National Assembly, that the defense of the country requires American military force.

The State Department has recently suggested informally to Britain, France, India and other interested powers that they form a common policy with the United States concerning the issues created by Communist successes in China. Prime Minister Joseph B. Chifley of Australia told the Parliament in Canberra on May 26 that the international conversations had raised the possibility of recognition of the Communists as a *de facto* government. Reports indicate that the prestige of the National government is deteriorating in its provisional capital, Canton, and that it may return to its war-time refuge, Chungking.

Yet Communist conquest of all China would not inevitably mean recognition. The United States wants assurances that the Communists would honor the Sino-American trade treaty of 1946 and abjure any claims to Hong Kong and Taiwan (Formosa), although even anti-Communist Chinese object to proposals for severing Taiwan from their country. When the official newspaper organ of the Hong Kong government, *Jung Shang Jih Pao*, early in May suggested the incorporation of Taiwan into the West Pacific defense system of the United States, the Nationalist-controlled Chungking radio condemned the proposal. A further reason for delay in reaching a decision about recognition is the question whether acceptance of the Communist government abroad would strengthen communism in other Far Eastern areas.

U.S. Opposes Communism

Outside Korea and China, the United States actively opposes communism. Washington has refrained from interfering with the French government's use of military force in its so far discouraging effort to repress the Indo-Chinese nationalist movement led by Communist Ho Chi Minh. It encouraged the Dutch to sign the UN cease-fire order of May 6 and halt their effort to repress Indonesian nationalism by arms, in the belief that the action would weaken the Communists in the Indonesian national movement. The most moderate elements in the Indonesian Republic signed the cease-fire agreement, but there is no certainty that more extreme Indonesians will remain quiescent, especially since the Dutch have delayed the evacuation of Jogjakarta, Republican capital, under the terms of the agreement until the Republicans show that

they can maintain order there. The signing of the cease-fire agreement represented abandonment by the Dutch of their contention that the UN lacks jurisdiction in the Indonesia conflict, and Louis J. M. Beel, Netherlands High Commissioner, resigned in protest against the termination of the conflict under international auspices.

In the main the Washington administration does not rely on military power to contain communism in Asia. Early this year the State Department refused a request by the Dutch for American arms to put down the Indonesian Republic. On May 18 Secretary Acheson rejected the proposal made the previous day by President Syngman Rhee of South Korea that the United States and the anti-Communist Pacific powers sign a treaty of mutual defense along the lines of the Atlantic pact, one of the instruments for the containment of communism in Europe. Instead the Administration expects that national independence will survive in Asia if strengthened by economic development,

after national and colonial dissords have been settled. As one step in this direction, the United States is encouraging the International Bank for Reconstruction and Development to lend money to India for improvement of transportation.

Problems in Japan

In Japan the anti-Communist policy of the United States has created difficulties in relations with other Far Eastern countries. The ten Asian and European states which, with the United States, compose the Far Eastern Commission are expected to fight the policy inaugurated last July 22 by General Douglas MacArthur of forbidding strikes by government employes, including communication and railway workers.* The ostensible reason for the ban is to prevent Communist members of the unions from sabotaging communications. The United States further disturbed some of its partners on the Far

*See, Miriam Farley, *Foreign Policy Bulletin*, December 10, 1948.

Eastern Commission by announcing on May 12 that the occupation authorities have stopped collecting reparations in Japan. China, the Philippines and Korea have publicly protested against this decision.

Although the United States has thus acted unilaterally on Japan, it insists on the right of all members of the FEC to take part in the ultimate negotiations for a peace treaty with Japan. This was one reason for Washington's refusal to support Soviet Foreign Minister Vishinsky's proposal to the Council of Foreign Ministers on May 23 that this country, the U.S.S.R., Britain, France and China confer on a Japanese treaty, although the major reason given was a desire to deal with the problems of Europe before those of Asia. As a prelude to an eleven-power treaty conference on Japan, the United States is likely to propose within the next six months the end of the occupation and the replacement of General MacArthur by a civilian commissioner.

BLAIR BOLLES

Brazil Suggests Pattern For Point Four Investment

The brief visit of President Eurico Gaspar Dutra to Washington last week has galvanized plans for practical application of the Point Four program in Brazil. Conversations between General Dutra and President Truman on ways in which the United States can help the South American nation carry out a broad program of economic development coincided with a Brazilian statement in the UN Economic and Employment Commission on May 19 which made "business history," according to American representatives at Lake Success.

José Nunes Guimarães, the Brazilian delegate, urged the UN to consider positive action on a series of inducements to private foreign investors by underdeveloped countries seeking assistance under Point Four. He pledged his own country to arrange duty-free imports of capital equipment for use in foreign enterprises, full or partial tax exemption for favored industries, and guarantees that profits, interest and dividends earned by foreign companies may be converted into dollars or other foreign currencies on a nondiscriminatory basis. Some of these concessions may be incorporated into a bilateral treaty which Brazilian and American experts are now discussing informally in Washington. A unique feature of the pro-

posed agreement, Dr. Octávio Gouvêa de Bulhões disclosed on May 29, would be a joint dollar fund, subscribed and administered by both governments, to guarantee to American investors in Brazil conversion of their profits into dollars.

Necessity and Invention

Friendship with the United States has been a cardinal point of Brazilian foreign policy at least since 1876 when the "republican Emperor," Don Pedro II, paid the first and, until now, the only visit of a Brazilian chief of state to this country. Rio de Janeiro's current interest in cultivating American businessmen, however, arises from dire necessity. During the past eighteen months Brazil has come to grips with an acute economic problem. Realizing that there could be no sweeping international or foreign governmental assistance on the Marshall plan scale for Brazil—that indeed the Marshall plan provided no panacea for its difficulties—Brazil last September with the aid of United States experts undertook a sober examination of the factors tending to retard its economic development. At the end of 1948 Brazil owed this country 3.7 billion cruzeiros (\$200 million) in short-term credits. Prospects for this year are even more uncertain. It is anticipated that although the value of exports will not ex-

ceed the 1948 level—and might decline, if Brazilian commodities follow the downward trend of United States agricultural prices in the latter half of the year—there will be no easing of the demand for imports from hard-currency areas, especially from the United States. To relieve the continued pressure on the balance of payments, therefore, it became imperative for Brazil to restore its international credit standing and to attract foreign capital.

The recommendations of the Joint Brazilian-United States Technical Commission, made public in February 1949, brought this point home. Organized at the request of Rio de Janeiro, this expert body was headed for the United States by John Abbink, chairman of McGraw-Hill International Corporation, and on the Brazilian side by Dr. Gouvêa de Bulhões of the Ministry of Finance. Its report, an analysis of the here-and-now problems of inflation and international payments, showed how these owed their existence to the fundamental lack of balance in the economy, which has always been excessively dependent on a limited number of exports, notably coffee, cotton and cacao. Special problems have been created, the commission reported, by the phenomenal boom of Brazil's two big cities, São Paulo and Rio de Janeiro,

while agricultural production has remained backward and inadequate for the needs of a population increasing at the rate of 2 per cent every year.

The Joint Commission accordingly emphasized the importance, first of all, of improving the production and commercial distribution of foodstuffs. It approved of what had already been done to increase tax revenues, balance the budget, tighten speculative credit, and restrict imports to the available supply of foreign exchange, and recommended even more decisive action along these fronts. In addition, the Commission applauded the "general conception" of the SALTE plan, a five-year government program for 1949-53, under which priority would be given efforts enabling Brazil to produce domestically all its requirements of wheat and half of its petroleum. These imports now weigh heavily on the commercial balance.

At the same time the Abbink mission, as it is known here, stated that this program of governmental expenditures, however carefully considered, was only part of the answer. Maximum reliance should be placed on a balanced development of Brazil's resources by private enterprise, including foreign capital. Measures to dispel the "high-profits mentality" of Brazilian capitalism and the strong attraction of real estate as an investment outlet are necessary, as well as a reorganization of the "rudimentary" capital market, where interest rates are excessively high. The report also underscored the necessity of raising the standard of living of the specially trained middle class. "The nation," it stated, "would lose, in intangible ways, far more than it could possibly gain by an acceleration of economic growth at the expense of middle-class living standards."

Program for Latin America

The ultimate success of this program depends largely on the attitude of Brazil's businessmen in the wealthy southern states which contribute the bulk of the nation's income and savings. These states would have to finance the development of the less developed regions, like Amazonia and the Northeast, where Brazil's richest natural resources lie. But if national plan-

News in the Making

To devalue or not to devalue? This is the question that is being asked in Britain about the pound sterling. Sir Stafford Cripps, Chancellor of the Exchequer, has categorically denied that the British government is considering devaluation. Some Americans have urged it, but Winthrop W. Aldrich, chairman of the board of the Chase National Bank, speaking in London on May 23 dissociated himself "from those Americans, if there be any such," who advocate early devaluation of sterling in terms of the dollar. . . . Britain's European customers, notably Switzerland and Italy, which through sales in Britain are piling up inconvertible sterling they cannot use for purchases elsewhere, believe that sterling is overvalued as against other currencies and that this overvaluation cannot be maintained much longer without seriously retarding the recovery of world trade. British exporters, worried by the sharp drop in overseas sales in April and the drying up of some markets for British goods, notably South Africa, wonder whether it will not be necessary to effect a drastic cut in prices of export products. Devaluation is regarded as a possible method of bringing British prices

ning can overcome regionalism, Brazil may be in for a new deal. The techniques elaborated there under Point Four, moreover, may find a wider application in Latin America. That area since the end of the war has been by all odds the most important outlet for United States direct investment capital. Yet the flow has not been as great as might have been anticipated. If mutual distrust can be dispelled through devices such as those projected in the treaty with Brazil, and in the new reciprocal trade agreement with Uruguay for "Friendship, Economic Development and Commerce," it may be that a large portion of the billion dollar investment, which Under Secretary Cornelius Vanderbilt Whitney on May 25 set as the Commerce Department's goal for expanded investment abroad, may find its way south.

OLIVE HOLMES

in line with those of competing industrial nations like the United States and Germany. . . . France made another move in its attempt to foster a friendly regime in Indo-China under the leadership of ex-Emperor Bao Dai when the National Assembly voted on May 21 to change the status of Cochinchina from a colony to an autonomous territory within the French Union. This step, affecting the most productive area in French Indo-China, had been set by Bao Dai as a prerequisite for his attempt to establish a Viet Nam state in opposition to the anti-French Republic of Viet Nam organized under the leadership of Ho Chi Minh.

FPA Names Vice-President

The Foreign Policy Association takes pleasure in announcing that Thomas L. Power, who has been in charge of the national program since January, has been appointed vice-president of the Association. Before joining the staff of the FPA Mr. Power was for twelve years assistant to the director of Columbia University Extension, and more recently education director at International House in New York. He served as National Director of the Committee to Defend America by Aiding the Allies. Entering the Army as a private, he was at the end of the war a Captain at General Eisenhower's GHQ in Frankfurt. Under General Eisenhower, he was responsible for the administration of financial policies for the U.S. Military Government in Germany. He also was financial intelligence officer at the headquarters of General Omar Bradley after the Allied invasion of France.

How to Make Point Four Work?

What have American business and American government done to help develop underdeveloped countries? What may they be expected to do in the future? READ

GOVERNMENT AND CAPITAL IN POINT FOUR
by Harold H. Hutcheson

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